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E. O. 11652: N/ A

TAGS: TECH, ENGR

SUBJECT: NEW AEC ENRICHMENT CRITERIA AND CONTRACTING PRACTICES

REF: STATE 068924

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BOMBAY (FOR USAEC SCIREP)

1. AS INDICATED REFTEL, JCAE HELD SUPPLEMENTAL HEARING ON APRIL 18 ON ABOVE SUBJECT.

2. DISCUSSION WITH AEC WITNESSES CENTERED AROUND QUESTION OF CIRCUMSTANCES UNDER WHICH AEC MIGHT SIGN CONTRACTS CLEARLY REQUIRING ADDITIONAL ENRICHMENT CAPACITY, AUTHORIZATION FOR WHICH HAD NOT YET BEEN OBTAINED FROM THE CONGRESS. AEC EXPLAINED THAT IT HAD NO INTENTION OF SIGNING MAJOR, LONG- TERM CONTRACTS UNDER SUCH CIRCUMSTANCES, WHICH POTENTIALLY COULD SUBJECT U. S. GOVERNMENT TO DAMAGES FOR NONPERFORMANCE INVOLVING LARGE AMOUNTS OF MONEY. HOWEVER, AEC MIGHT WISH, AS INTERIM MEASURE PENDING ANTICIPATED ENTRY OF PRIVATE INDUSTRY INTO ENRICHMENT MARKET ON SCHEDULE DESIGNED TO MEET REQUIREMENTS IN EXCESS OF THOSE WHICH COULD BE MET FROM EXISTING AEC FACILITIES, TO ENTER INTO SOME CONTRACTS WHICH, IF IT ULTIMATELY WERE REQUIRED TO PERFORM THEREUNDER, COULD REQUIRE OPERATION OF PRESENT AEC PLANTS AT OTHER THAN ECONOMIC OPTIMUM CONDITIONS (E. G. , FEED RATES WHICH WOULD RESULT IN HIGHER THAN PLANNED TAILS ASSAYS). JCAE THEN REQUESTED THAT AEC CONSIDER RESTATEMENT IN CRITERIA LIMITING AEC' S CONTRACTING AUTHORITY TO " SUBJECT TO AVAILABLE CAPABILITY" CONCEPT, WITH RECORD SHOWING THAT THIS COULD INCLUDE NONOPTIMUM OPERATION UNDER TYPE OF CIRCUMSTANCE DESCRIBED. AEC AGREED TO DRAFT LANGUAGE COVERING THIS CONCERN OF JCAE' S. FOLLOWING JCAE APPROVAL OF PRECISE LANGUAGE (AND AEC SATISFACT- ORILY ANSWERING SUPPLEMENTAL QUESTIONS PROVIDED BY JCAE STAFF), COMMISSION APPARENTLY IN POSITION TO FORMALLY PUBLISH CRITERIA AND BRING NEW CONTRACTING PROCEDURES INTO FORCE. IN THIS REGARD, AEC TESTIFIED THAT IT EXPECTED TO HAVE DRAFT FIXED COMMITMENT- TYPE CONTRACT AVAILABLE FOR INDUSTRY COMMENTS WITHIN ABOUT TWO WEEKS THEREAFTER.

3. IN COURSE OF ABOVE DISCUSSION, AEC WITNESSES INDICATED THAT IF PRIVATE INDUSTRY HAS NOT DEVELOPED FIRM PLANS FOR BRINGING IN NEW ENRICHMENT CAPACITY ON REQUIRED SCHEDULE BY LATE CY 1974, AEC EXPECTS TO DEVELOP PROGRAM FOR PROVIDING SUCH CAPACITY IN DETAIL BY THAT TIME AND REQUEST NECESSARY AUTHORIZATION IN FY 1976 BUDGET.

4. ONLY OTHER WITNESS WAS PHILLIP SPORN, RETIRED " SENIOR SPOKESMAN" OF UTILITY INDUSTRY AND FORMER EXECUTIVE OF AMERICAN LIMITED OFFICIAL USE

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ELECTRIC POWER, WHO TESTIFIED AT LENGTH CONCERNING PROPOSAL

WHICH HE HAD MADE SOME YEARS AGO CONCERNING COOPERATIVE, NON-
PROFIT OWNERSHIP, WITH LIMITED EQUITY FINANCING, OF ALL U. S.
ENRICHMENT FACILITIES BY DOMESTIC UTILITIES. HIS TESTIMONEY
CONTAINED LITTLE OF RELEVANCE TO NEW CRITERIA, ALTHOUGH HE
DID MENTION, IN PASSING, POLICIES HE HAD INSTITUTED MANY YEARS
AGO AS UTILITY EXECUTIVE OF SIGNING FIFTEEN- YEAR FIRM COAL
SUPPLY CONTRACTS WITH MOST DEPENDABLE (BUT NOT NECESSARILY
LOWEST COST) SOURCES OF SUPPLY.
PORTER

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